



Arnold Schwarzenegger
Governor

September 13, 2010
22:434:fg:1105:1240

Ms. Suzanne Pohlman, Executive Director
North County Interfaith Council
550 W. Washington Ave., Suite B
Escondido, CA 92025

Dear Ms. Pohlman:

WORKFORCE INVESTMENT ACT
VETERAN'S EMPLOYMENT-RELATED ASSISTANCE PROGRAM
15-PERCENT ADULT PROJECT
25-PERCENT DISLOCATED WORKER PROJECT
FINAL MONITORING REPORT
PROGRAM YEAR 2009-10

This is to inform you of the results of our review for Program Year (PY) 2009-10 of the North County Interfaith Council's (NCIC) administration of its Workforce Investment Act (WIA) Veteran's Employment-Related Assistance Program (VEAP) Projects. Mr. Dale Kunesh, Mr. Fred Granados, and Mr. Jim Tremblay conducted this review from April 12, 2010 through April 15, 2010. For the program operations portion of the review, we focused primarily on the areas of program administration, participant eligibility, WIA activities, monitoring, if applicable, and management information system/reporting. For the financial management portion of the review, we focused primarily on the areas of accounting systems, expenditures, allowable costs, cost allocation, reporting, cost pools, indirect costs, cash management, internal controls, program and interest income, single audit, if applicable, and property management. For the procurement portion of the review, we focused on procurement competition, cost and price analyses, and contract provisions.

We conducted our review under the authority of Sections 667.400(c) and 667.410(b) (1) (2) (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by NCIC with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding program operations, financial management and procurement.

We collected the information for this report through interviews with NCIC's representatives. In addition, this report includes the results of our review of sampled case files for participants enrolled in the WIA VEAP Projects, a review of NCIC's response to Sections I and II of the Program On-Site Monitoring Guide; applicable

policies and procedures; and a review of documentation retained by NCIC for a sample of expenditures and procurements.

We received your response to our draft report on July 30, 2010 and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed finding numbers 2 and 3 cited in the draft report, no further action is required at this time. However, these issues will remain open until we review your implementation of your stated corrective action plan during a future on-site review. Until then, these findings are assigned Corrective Action Tracking System (CATS) numbers 10108 and 10109, respectively.

Because your response did not adequately address finding number 1 cited in the draft report, we consider this finding unresolved. We have requested that NCIC provide the Compliance Review Office (CRO) with additional information to resolve the issue that led to the finding. Therefore, this finding remains open and has been assigned CATS number 10107.

BACKGROUND

The NCIC was awarded \$250,000 to operate a WIA 15-Percent Project and \$250,000 to operate a WIA 25-Percent Project to serve a total of 260 VEAP participants from December 1, 2008 through June 30, 2010. For the quarter ending March 2010, NCIC reported that it spent \$ 358,322 and enrolled 123 participants. We reviewed case files for 40 of the 123 participants enrolled in the WIA projects as of April 15, 2010.

PROGRAM REVIEW RESULTS

We concluded that, overall, NCIC is meeting applicable WIA requirements concerning grant program administration.

FINANCIAL MANAGEMENT REVIEW RESULTS

While we concluded that, overall, NCIC is meeting applicable WIA requirements concerning financial management, we noted an instance of noncompliance in the area of employee time sheets. The finding that we identified in this area, our recommendation, and NCIC's proposed resolution of the finding is specified below.

FINDING 1

Requirement: OMB Circular A-122 Attachment A Section 8(m)(2)(c) states, in part, reports reflecting the distribution of activity of each employee

must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. Reports maintained to satisfy these requirements must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.

Observation:

During the review process, we determined all ten of the employee timesheets we reviewed did not have a signature of either the employee or supervisor. In 2006, NCIC established a new process for their Daily Activity Sheets. The staff electronically completes the Daily Activity Sheet, reflecting actual time spent working with programs. We observed that the new electronic timesheets were to be signed digitally by staff and supervisors. Staff completes the Daily Activity Sheet and electronically forwards it to the Veterans Program Director. The Veterans Program Director reviews it and then electronically forwards it to accounting. By forwarding it to the accounting department, the Veterans Program Director acknowledges that she reviewed the timesheets.

The Director of Veterans Programs states NCIC has communicated with the Department of Labor (DOL) for electronic signature acceptance, at which DOL stated NCIC must have a Certified Public Accountant (CPA) firm test and approve their system. As requested by DOL, the CPA firm must produce written approval validating the electronic signature process, which could then be forward to DOL for their approval. At the time of this review NCIC could not provide written approval or documentation from DOL for this process or necessary steps to gain DOL's approval. This issue was identified in PY 2006-07 review.

Recommendation:

We recommended NCIC provide CRO with documentation that DOL has approved NCIC's electronic signature process, as discussed above. If NCIC is unable to provide such documentation in the response to this draft report, then we recommended NCIC provide CRO with a written corrective action plan detailing the steps they are taking to obtain the approval, or to validate their process.

NCIC Response: The NCIC stated that during an upcoming independent annual audit, NCIC will request the CPA firm test and approve their current electronic signature system. If NCIC's system is tested and approved by the CPA firm, approval will also be sought from DOL. If the system is unable to be reviewed and approved at the time of the audit, NCIC will recommend a new written corrective action plan (CAP) detailing the steps needed to obtain the approval of the process.

State Conclusion: Based on NCIC's response, we cannot resolve this issue at this time. The CRO agrees to hold any conclusions until it has had the opportunity to review the results of NCIC's corrective actions. Therefore, this issue remains open and has been assigned CATS number 10107.

PROCUREMENT REVIEW RESULTS

While we concluded that, overall, NCIC is meeting applicable WIA requirements concerning procurement, we noted an instance of noncompliance in the area of contract compliance. The finding that we identified in this area, our recommendation, and NCIC's proposed resolution of the finding is specified below.

FINDING 2

Requirement: 29 CFR 95.13 and 20 CFR 667.200(d) states, in part, all recipients shall comply with the requirements for government-wide debarment and suspension, and requirements for a drug-free workplace. The common rule restricts sub awards and contracts with certain parties that are debarred, suspended or otherwise excluded from ineligible for participation in Federal assistance programs and activities.

Observation: The NCIC contracts did not include certification or documentation to verify they performed debarment and suspension checks for the procurement of services, nor was there evidence of a drug-free workplace in the contract provisions. The contract is with Dr. Robert Irwin, who specializes in treatment for Post Traumatic Stress Disorder (PTSD) and provides counseling for any veteran that did not receive VA medical benefits. The term of the contract is for two years, December 1, 2008 through December 31, 2010, for \$39,000.

Recommendation: We recommended NCIC provide CRO with a written corrective action plan as to how, in the future, they will document the debarment and suspension process, including how the process will be verified.

NCIC Response: The NCIC established contract language that will be included in future contracts. The language includes debarment and suspension requirements and required contract language for a drug-free workplace. The NCIC also states that certification and documentation of the performance of debarment and suspension checks for the procurement of services will be maintained after such checks take place.

State Conclusion: The NCIC's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future on-site visit, NCIC's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10108.

FINDING 3

Requirement: 29 CFR 95.48 and Appendix A to Part 95, states, in part, all contracts awarded by a recipient including simplified acquisitions, shall contain the following provisions:

- Compliance with equal employment opportunity.
- Administrative, contractual, or legal remedies in instances of contractual violation.
- Termination for cause.
- Right to inventions for the performance of experimental, developmental, or research work.

Observation: Our review of NCIC's contract with Dr. Robert Irwin did not specify the required contract provisions and/or certifications listed above.

Recommendation: We recommended NCIC provide CRO with a written corrective action plan stating how they will ensure all future contracts contain all mandated provisions and required contract language, as identified above.

NCIC Response: The NCIC submitted documentation of the above-listed contract language to be included in future contracts.

State Conclusion: The NCIC's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future on-site visit, NCIC's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10109.

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Office your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than October 11, 2010. If we do not receive a response by this date, we will release this report as the final report. Please submit your response to the following address:

Compliance Monitoring Section
Compliance Review Office
722 Capitol Mall, MIC 22
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also fax it to the Compliance Monitoring Section at (916) 654-7756.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. As you know, it is NCIC's responsibility to ensure that its systems, programs, and related activities comply with the WIA, related federal regulations, and applicable state directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain NCIC's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Cynthia Parsell at (916) 654-1292.

Sincerely,



JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: Michael Friedrichs, Board of Directors President
Georganne Pintar, MIC 50
Elizabeth Thomsen, MIC 50